A Letter to a Friend concerning CREDIT, and how it may be reſtor'd to the Bank of ENGLAND: Being the Original of a Copy lately publiſhed, wherein were many Alterations and Additions that are not in this, now publiſhed by the Author.

SIR,

YOUR Affection for the preſent Government, and that prudent Zeal and Concern you have conſtantly expreſs'd for the Honour and Welfare of your Countrey, have induced me to offer you my Thoughts upon the preſent Circumſtances of our Affairs with relation to Credit: and I think I cannot begin more properly than by conſidering the natural Cauſes of it, as obtain'd either by a private Goldſmith, or Banker, or by a more Publick and National-Bank. And,

First of a private Banker: It is the Belief that the generality of Men are poſſeſt with of his Ability, Care and Honeſty; that is, Men believe that ſuch a Banker hath a good Foundation, is a careful, cautious, and honeſt Man; that he hath an Eſtate to ſatisfy every Creditor, and will not diſpoſe or alienate any part of it, but what he really knows to be an Overplus, or more than will anſwer all his Debts; that doth not launch out his Money in many Foreign Adventures, or on doubtful Projects, or uncertain Funds: a Perſon having once obtain'd ſuch a good Opinion amongſt the Generality of Men, and they finding they can have their Money when they demand it, are willing to take his Bills or Notes rather than Money, for their Eaſe in paying and receiving, and to avoid the Loſs that often happens by bad Money, or ſhortneſs in Tale. I ſay, 'tis for the afore-mentioned Reaſons that any Banker's Notes paſs currently in all Paiments, and are eſteemed equal to Money; and not becauſe Men do generally believe, that a Banker hath always Money lying by him to pay all his Debts, though they ſhould be demanded all at once; none that underſtand themſelves, can have ſuch an odd Conceit: if a Banker ſhould do ſo, from whence could he get Profit to maintain Tellers, Book-keepers, Porters, pay great Rents, and get ſomething over and above to reward his Care and Pains?

It is ſaid, that one private Banker in *Lombard-ſtreet* had a Credit at one time for 1100000 Pounds Sterling, when probably no Man believed he had at the ſame time one twentieth part of that Sum by him to pay it with; but both he and his Creditors believ'd that whilſt he gave no occaſion to ſuſpect or queſtion his Ability and Honeſty to pay every one, it would be next impoſſible, that all his Creditors ſhould come at once to call their Money out of his Hands, but as faſt as ſome call'd it out, others would bring it in, and that would enable him to pay every Man's Demand, and ſo preſerve his Credit entire.

But on the contrary, whenever the Generality of Men have entertain'd an Opinion, That a Banker is careleſs, prodigal, diſhoneſt, or doth alienate any part of his Eſtate, more than is truly and properly his own, or engageth his Money in hazardous Adventures, new Projects, or doubtful and remote Funds,

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by which he may be in danger to loſe a great part of his Eſtate, or not be able to command it in any reaſonable time (whereby is occaſion'd a Jealouſy of him) his Credit will preſently ſink, and all his Creditors come upon him to take their Money out of his Hands, fearing it not ſafe there; and then no Body will accept of his Notes in Paiment.

For the very ſame Reaſons, and by the ſame Methods, a Publick Bank may eſtabliſh and preſerve, or deſtroy its Credit.

If a Publick Bank be eſtabliſh'd upon a Fund that is certain, ſecure, and inviolable, not to be taken away, leſſen'd, chang'd or alter'd for the worſe, either as to Time or Security, upon any pretence whatever, either by King or Parliament, without the free Conſent of the Proprietors; and that the Managers of it are Perſons of clear Reputations, Eſtates, Prudence, and generally eſteemed ſo, and are careful not to divide any part of their Stock, but only the bare Intereſt and Profits, and alſo cautious not to lend their Money upon any remote or uncertain Funds, or employ it in any hazardous ways; I ſay ſuch a Bank ſo managed, cannot fail of having a great and laſting Credit, and will never be in danger to be run upon by its Creditors, becauſe they can have no reaſon to fear, or diſtruſt the Safety of their Money, but may be ſure to have it whenever they demand it.

If the Fund of a Publick Bank be made as ſecure and unalterable as any Man's Freehold (as indeed it ought to be, in caſe you would make it a Bank of Credit, and by that Credit ſupply the Nation's Want of real Species) then no Man will ſcruple to truſt that Bank with his Money upon the Security of that Fund, no more than Men ſcruple to lend Money by way of Mortgage upon an Eſtate in Fee-ſimple, whereof the Title is clear and unqueſtionable: for the ſame Law that gives me a Title to my Free-hold, gives the Bank an undoubted Title to their Fund, during the time contracted for with the Publick, or till the Purchaſe-Money be repaid: And therefore any Supream Power or Government may with equal Juſtice enter upon one as they can violate the other. No Fund or Funds upon which a Bank is eſtabliſhed, and which the Members of it have purchaſed with their Money, or upon which a Bank or other particular Perſons have lent their Money, ſhould be taken away, changed or altered, except only with the free and voluntary Conſent of that Bank, or thoſe Perſons: for the taking away, changing or altering any Parliamentary Funds without ſuch free and voluntary Conſent, will render them precarious and uncertain, and by a natural conſequence deſtroy their Credit and Eſteem.

And alſo when the Parliament grant the King a Tax upon any thing, and give it him for a certain Sum, and to come in within a certain prefixed time, and impower him to borrow, and encourage the Subjects to lend ſo much as they give it for, if this Tax or Fund prove deficient by any Means or Occaſion whatever, and bring not in the full Sum it was given for, it cannot be thought reaſonable, that the Subjects who lent their Money in expectation to have it repaid them within the Term limited by that Act, and therefore lent it upon a leſs Intereſt, ſhould either loſe their Money, or wait for it a much longer time, but ſhould have the Deficiency made good to them out of the next Money that is raiſed. And if that Method was conſtantly obſerved, no Man would ſcruple

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ple to lend his Money upon the latter part of any Parliamentary-Funds, which otherwiſe none will adventure to do, and that will hinder the King from Loans beyond the half of the Fund, or at fartheſt beyond ſo much as every Man believes will moſt infallibly come in upon that Fund; and by that means the King's Occaſions will not ſeaſonably be ſupplied, but he muſt wait till the Collector can receive and pay the Money into the Exchequer: how that will ſute with our Circumſtances, eſpecially in Time of War, I leave to the Judgment of others.

I think it is obvious to every Man, that ſince this War, a conſiderable part of our Treaſure, I mean of Gold and Silver, is exhauſted; the Remainder of our Money is by the recoining of it, reduced to one half of what it was before in Tale or Denomination; that is, what we called before five Millions of Pounds Sterling, is reduced to two Millions and a half. And almoſt all that which is commonly called Paper-Credit, is ſunk, loſt, and become uſeleſs: And with that Paper-Credit, that is, with Goldſmiths, and Bank-Notes, which amounted to near as much as all our current Coin, the greateſt part of our Trade in and about this City of *London* was formerly driven; all Foreign and Inland Bills of Exchange, and all great Paiments were made in thoſe Notes, and very ſeldom any conſiderable Sums were paid or received in Money; ſo whilſt thoſe Notes continued in eſteem and *par* with Money, they anſwered all the Ends and Uſes of Money in Trade, and Money was only needful in the Markets, and for ſmaller Paiments, for all which Purpoſes, a ſmall quantity of it was ſufficient; and that made Money ſeem to be abundantly more plentiful among us, than it was in reality. But now it is plain we have ſcarce Money enough to turn the Markets, much leſs to carry on our Foreign Trade.

The truth of what is ſaid above being granted, I muſt conclude, we have not in the Kingdom one fourth part of the Money and Notes (which ſerv'd as well as Money) that we had a few Years ſince; and it is as certain, that according to the Proportion that we have now leſs in Money and Credit, our Loans to the King and our Trade will be leſs.

Nothing but a long continued Peace, and a well managed Foreign Trade, can reſtore that Treaſure this War hath drain'd from us; and how it is poſſible we ſhould now carry on our Trade to that degree we formerly did, with leſs than one fourth part of the Money and other Means we then had, I cannot underſtand.

And therefore ſince we have not real Species to do it with, nor can hope in any reaſonable number of Years ſufficiently to encreaſe our Species, I think there is no other Way or Means left us, either to carry on the War or our Trade, with or without a War, to the Honour and Advantage of this Kingdom, but only by reſtoring Credit, and by that Credit ſupply our want of real Coin.

How ſuch a Credit can be obtained is the Queſtion.

And for my part, conſidering our preſent Circumſtances, I think it cannot be effected any other way than by the Bank of *England*, as now eſtabliſh'd; and I am confident that Bank could do it, if they had thoſe Privileges and Encouragements the King and Parliament could grant them, without being prejudicial to any Subject.

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It is certain, that all forcible and compulsive Means would destroy or frustrate that Credit they are intended to establish and preserve.

The only sure way to obtain a lasting Credit must be easy, free and natural; Men will not trust their Money any where, nor with any Person against their Inclinations: But whilst they believe their Money is safe in a Bank, and will be paid them when they demand it, they will chuse to lodg it there, rather than at home, upon account of those Conveniences I mention'd before; but if either of those things be questioned, they will be their own Cashires, and not trust their Money in such a Bank.

Therefore, as I said before, the only way to make the Bank of *England* capable to supply the Nation's want of real Species by their Notes and Bills, is first to ascertain to that Bank the Funds upon which they are established, and have or shall hereafter lend any Money to the Government, by the strongest Ties and Obligations of Security, that the Wisdom of the Parliament can invent, so that the generality of Men may be satisfied therewith.

This is the first and chief Foundation to build a great and lasting Credit upon; and without this there is no possibility to effect it, for no Man will trust his Money where he believes it is not safe; and where this Consideration is wanting, no Credit can subsist.

Another thing would be to change their Tallies upon the Deficiencies, for others that will come in this Year. Those Tallies will be good Paiment for such as have supplied the Fleet and Army with Stores, Clothes, *&c.* by which it may be reasonably presumed they have got an extraordinary Profit; whereas the Bank hath lost by serving the Government, and took those Tallies as a Deposit till the Commissioners of the Treasury could give Money for them, as was promised and contracted for; so that the Case between the Bank and many others that have Tallies upon the Deficiencies is very different: and if the Bank be immediately restor'd to Credit, the remotest Tallies will soon be reduced to a moderate Discount, or esteemed equal to Money: for it is observable that some time ago Tallies upon the fourth Year's Customs were sold at 2 *per Cent.* Profit to the Seller, whereas by the Loss of the Bank's Credit the same Tallies are now sold at 30 *per Cent.* Profit to the Buyer.

And if it be objected that the Necessities of the Government will not now permit it to make such an Exchange of Tallies as is above-mentioned; I answer, The greatest Cause of all our Necessities is the want of Credit, and the restoring of that will deliver us from all our Difficulties.

When a Pump that hath plentifully furnished us with Water gives not its usual Supplies, we scruple not to heave in a Paleful (how scarce soever it be) to moisten the Sucker, and we quickly find it returned with an abundant Interest.

The next Means to make the Bank able to lend great Sums, and thereby to supply the Nation's want of real Coin, is to make it the General Cashire for all Gentlemen, Merchants and Traders in and about the City of *London*; which must not be done by Compulsion, but by making it necessary for, and the Interest and Convenience of every Man to lodg his Money in that Bank, and keep an account with it; and when the Generality of Traders do make such use of it, the Bank will have little occasion to issue out Money, but only transfer

transfer it from one Account to another, as is now practised in the Banks of *Amsterdam*, *Venice* and *Hamburgh*; for if this Bank be once establish'd and supported in their Credit by the Government, exclusive of all others, during the Term of its Continuance, and its Fund or Funds secured to the Satisfaction of the Generality of Men, then every Man will voluntarily, for his own Ease and Convenience, employ it to receive and pay his Money, and keep a Book, or Accounts, otherwise with it.

And this cannot be hoped for when there are more Banks than one: for where the Interests are divided and separate, a Distrust, Jealousy and Envy will naturally arise to the Prejudice of each other; they will never dare to extend their Credit, for fear of a Surprize by their Competitors; each Bank will have its Friends and Employers; and the Advantage of paying and receiving of Debts without Money, by transferring Sums from one Man's Account to another, will be lost, and then Money will be as necessary to pay Debts with, as it is at this day; and if so, the main End is frustrated, which is to furnish the Kingdom with an Imaginary Coin to serve the Uses of that which is really so.

This (besides the Experience and Example of other Countries) shews, that one Bank will be infinitely more serviceable and advantagious to this Kingdom, and beneficial to private Persons, than two or more: for according to that Observation of the late excellent, and never-to-be-forgotten Deputy-Governour, Mr. *Michael Godfrey*, *We are under those happy Circumstances, that we cannot do good to our selves, but by doing good to others.*

Another way to enable the Bank to supply the Kingdom's Occasions with Money, is to let several Branches of the King's Taxes and Revenues pass through it; for by that means Money will be daily coming into it, to answer Peoples Demands that will take their Money from thence: And tho no part of the Taxes should be permitted to lie in their Hands any considerable time after they have received it; yet as that which they received some days before is to be paid into the Exchequer, other Sums will come in to pay it with; and that successively will always keep them full of Money, and enable them to pay every Man's Demand.

What Injury this Method can do the Publick I am yet to learn; and if it should happen to be prejudicial to any private Persons, who now have Benefit by the use of that Money, that Advantage must give way to the Nation's Necessity and Welfare; and where it is in the King's Breast to give it to whom he pleaseth, no Man can reasonably complain of any Injustice done him; and I know no Man, nor number of Men, that have so well deserved of His Majesty and the Kingdom as the present Bank of *England* hath done.

Otherways to render the Bank capable of assisting the Nation, and cure the Evils we labour under for want of Money and Credit, are to lengthen the Term of its Continuance; to make all Foreign Bills of Exchange payable at the Bank, or at least demanded there before they can be protested; by severe Penalties to deter Persons from Forging, Counterfeiting, Altering or Razing any of their Bills or Notes; and the Officers of the Exchequer, and all Officers and Receivers of the Revenue, from deviating, delaying or obstructing the Course of Payments into the Bank.

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I ſay, with Submiſſion, that if theſe Things were granted to the preſent Bank, it would immediately and infallibly recover its former Credit, and be able to ſerve all the Occaſions of the Publick, and private Perſons. And I think I may be bold to affirm, That the Credit of the Nation cannot be reſtored by any other means in any reaſonable number of Years: For we have a mighty Engine to move, and but very little Water to move it with; and if the little Water we have be divided into different Channels, and not united (as much as poſſible) into one, it can never ſtir the Engine, which is our Trade; and if that be ſtopt or ſtand ſtill, every Man may gueſs what the immediate Conſequence will be.

Therefore ſince Credit, eſpecially at this time, is ſo indiſpenſably neceſſary for us, I ſhould think the King and Parliament cannot do too much to reſtore it.

Till Credit (which ſupplied our Occaſions, as much as our real Species) be reſtor'd, the great Scarcity of Money will appear, and continue to diſtreſs us, as much as it doth at this day, and conſequently high Intereſt will continue; for it will be impoſſible by any Laws to hinder Men from lending or borrowing Money above or below the natural Intereſt. For if I want Money, I ſhall find out ways to give 10 *per Cent.* Intereſt, when I cannot have it for leſs, altho the Law forbids Men to take more than 6 *per Cent.* And if we either receive, or muſt pay a much greater Intereſt than our Trading Neighbours, they will unavoidably get from us all that little Trade the Nation hath now left. For no Man will ſend his Money to Sea, when he can make more Profit by lending it out upon Intereſt at home. And he that trades with Money he hath borrowed at 10 *per Cent.* cannot hold Market with him that borrows his Money at 4.

The ſame Inconvenience will attend all Gentlemen that want Money, either to pay their Debts, or diſpoſe of their Children: For till a great and full Credit be reſtored, they cannot borrow Money upon their Lands without giving an extravagant Intereſt, which in a little time will eat up their Eſtates. And another ill Effect it will have on the Price of their Land and Houſes: for no Man will buy Land or Houſes, when he can make double the Advantage by lending his Money upon Intereſt, buying Tallies, Bank-Stock, or Bank-Bills.

If we ſhould have a Peace to Morrow, our preſent Difficulties, for want of Money or Credit, will not be thereby removed; Money will be as ſcarce then, as it is now; and the ſame Methods will be practiſed by the Rich, to prey upon the Neceſſities of others, as are at preſent.

Before this War Money ſeem'd to be very plentiful amongſt us; and any Man, upon good Security, could borrow what Sum he pleaſed at 4 *per Cent. per Annum*; our Foreign Trade was generally driven to the utmoſt degree it was capable of. But I think (with Submiſſion) it was not the real Plenty of Money that made Intereſt low, or our Trade flouriſh, but the great Credit the Goldſmiths then had, whereby were added as many Millions of Stock to the Nation, as we had in real Species.

But if (even in that time of Plenty of real Species) that Credit of the Goldſmiths had been ſunk, or loſt by any means whatſoever, every one muſt grant

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grant that Intereſt would have greatly advanced, and our Trade had a terrible Stop and Declenſion: How much more muſt both theſe be affected now when that and all other Credit is loſt, and our Coin reduced to one third of what it was in thoſe days?

The longer we defer the reſtoring of Credit, the more difficult, if not impoſſible it will be to effect it, and more eſpecially if the preſent War ſhould continue: For the longer we defer it, the poorer we ſhall grow; and the Art and Contrivance of jobbing our Money, and oppreſſing the Neceſſitous, by extorting from them unconſcionable Gain, will improve with the Uſe and Practice.

If we had no Forces abroad to draw our Money from us, yet the Vanity of our Faſhions in our Apparel, Furniture, Eating and Drinking, will conſume ſo many Foreign Commodities, as will over-ballance Trade to our Prejudice, and preſently ſink us into Debt; to diſcharge which (without a great and well-managed Trade) we ſhall be forced to part with the little Money we have left.

If to reſtore Credit the Bank of *England* ſhould be engrafted upon, it muſt evidently prejudice the preſent Proprietors of that Stock, which will not only be remembred by them and their Poſterity, but be reflected on by the new Subſcribers as a Hardſhip that may alſo fall to their turn ſome time or other.

All Men know the preſent Proprietors have done and ſuffered more for the Support of the Government than any Body of Men ever yet did; and by thoſe very Services only they are reduced to their preſent unhappy Circumſtances, which in reaſon they ought to be delivered from by thoſe for whoſe ſakes they were brought into them. And if that be not done, not only they, but all others by the Example of their Sufferings, will be for ever diſcouraged from ſerving the Publick.

It is true, when they were told by ſome certain Gentlemen of Note, and others, That except they did ſubmit to be engrafted upon, there would be no Favour ſhewed them, and that they could not expect to recover their Credit till the end of their Term, and till then no part of their Intereſt could be divided amongſt the Members of the Corporation; the major part of the General Court did agree to it, ſome being terrified by thoſe dreadful Stories, ſome to ſerve other Ends and Intereſts of their own, and others by miſtaken Notions of the Thing. But this was far from a free and voluntary Conſent; for no Proprietor, if he had believed the Government would have helped them, and reſtored their Credit (as it is eaſy for them to do) would ever have been induced to give his Conſent to any Engrafting, becauſe that doth unavoidably cut off all hopes of future Profits by the Bank.

Beſides, when the Members of the Bank cannot expect any Profits from it, but only the bare 8 *per Cent.* which is as well ſecured to them without a Bank, they will never trouble their Heads about it, much leſs let any of their Money lie there to ſupport it; but as Money comes in, every Man will be ſcrambling to take away his Share; all Publick-ſpiritedneſs will infallibly vaniſh at the remembrance of the Ingratitude ſhewed to the old Proprietors: for no Man

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in his Senſes can hope to deſerve more than they have done, tho ſo ill requited for all their paſt Services.

The Members of the Bank have actually paid in 80 *per Cent.* and they have 20 *per Cent.* Intereſt and Profits more to divide, having had no Dividends for a long time. And now this 100 *l.* muſt be only eſteemed equal with Tallies bought for 50 *l.* and thoſe that have them in Payment for Goods, have got 40 or 50 *per Cent.* more of the King for their Goods, than they could have had of any Subject; but the Members of the Bank have got nothing, nor in three Years divided more than 10 *per Cent.* So that they, notwithſtanding their Merits, will, if engrafted upon, be much more hardly dealt with than other People, and that in all Probability without doing any Service to the Publick: for ſuppoſing two Millions ſhould be ſubſcribed into the Bank, that would only bring in 400000 *l.* of their Notes (which is one fifth part of the two Millions) and that Sum cannot leſſen the Diſcount on their Notes, nor bring them to *par*; ſo the Deſign of Engrafting, which is to reſtore the Credit of the Bank, would be fruſtrated, and the preſent Proprietors injured, and yet no Man can pretend a Certainty that more, or ſo much will be ſubſcribed.

Hence it ſeems unadviſeable to Engraft upon the Bank, when ſuch Engrafting is ſo uncertain of anſwering the End aimed at.

But to reſtore the *Bank* of *England* to Credit without Engrafting upon it, will ſave the Nation near 500000 *l.* in Intereſt, thus; It is propoſed to Engraft five Millions upon it, and to raiſe the Intereſt of the ſaid five Millions to 8 *per Cent.* which I reckon one with another is about 2 *per Cent.* more than is now allowed upon thoſe Tallies, and that will in ten Years time (in which both Principal and Intereſt is intended to be paid off) amount to near the Sum mentioned above. Whereas by reſtoring the Bank's Credit without Engrafting, all that Money would be ſaved, and yet thoſe Tallies for five Millions at the preſent Intereſt, would be more valuable than they will be at 8 *per Cent.* when turn'd into Bank-Stock, and conſequently more advantagious and pleaſing to the Owners thereof: for the reſtoring of a full Credit, will moſt certainly reduce Tallies to *par* with Money; but none can imagine that Bank-Stock will be ſold for 120 *l.* when there is ſix Millions and 200000 *l.* daily at the Market.

It is worth obſerving, that Tallies of 500 *l.* upon the Land-Tax and Aid granted this Seſſion are ſold for 400 *l.* which is 25 *per Cent.* Loſs; and according to that Proportion the King muſt pay more for Credit abroad, and Stores, *&c.* at home, than if thoſe Tallies were at *par* with Money. So that the 5 Millions given and voted for this Year's Service will in effect be no more than 4. And if His Majeſty's Occaſions want 5, he will be a Million in Debt at the Year's end, ſo for want of Credit the Nation muſt be taxed one Million more than otherwiſe it needed to be, which would be immediately remedied were the Bank in Credit.

I ſhall conclude with this Poſition, That if Publick Credit can by any means be reſtored, without prejudicing the Rights either of privare Perſons, or any Publick Society, it is much more eligible to do it by ſuch, than any contrary Methods; and that it may be ſo accompliſhed, I have endeavoured to ſhew.

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